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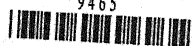
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OF
AGRICULTURAL PROCESS**

(A Study)

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**GIRI INSTITUTE OF DEVELOPMENT STUDIES
B-42, NIRALA NAGAR, LUCKNOW 226007**

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MARKETED SURPLUS AND MARKETING STRUCTURE OF
AGRICULTURAL PRODUCE : A STUDY

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The backwardness of agriculture in most of the third world countries like India, has been explained in terms of non-availability of HYV seeds; irrigation facilities and other modern agricultural inputs. The other related issue which is of equal importance is non-availability of efficient marketing facilities in these countries. The marginal and small farmers which constitute the majority of cultivators in these countries, under various obligations, resort to the distress sale of their produce to various intermediaries operating at village level. The remaining segment of peasantry i.e. large farmers really generate surplus and sell their output at appropriate time and place to get maximum returns. Ultimately, the distress sale of marginal and small farmers on one hand and surplus of large farmers on the other hand pass through a chain of various intermediaries untill it reaches the consumer. These rapacious and unproductive inter-

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mediaries often indulge in number of unfair practices like unauthorised weights, unauthorised deductions and high rate of commission indicative of monopoly or oligopoly control of commodity markets which took away a substantial share of the price paid by the final consumer and placed farmer-cum-seller at disadvantageous position. This process of surplus appropriation which is very varied in type and intensity reduces the resources available to producers either for production, for consumption or for investment and savings.¹ In other words, the amount of surplus capital generated by the farmers in the agricultural sector in the form of surplus of agricultural produce which should have been invested in farm sector is siphoned to non-farm sector, leaving the agricultural sector in its subsistence level. With the result, the majority of population engaged in agriculture continue to remain under abject poverty.

The nature of this problem assumed more severe dimension during the post Green Revolution which has been the period of commercialisation of agriculture. The cash requirement of farmers tremendously increased during this period for the purchase of various modern agricultural inputs. It was essential that farmer should dispose their surplus at appropriate time and place to get due returns because the prices which a farmer gets for his marketed surplus determines his future production and investment plans. It may be noted that the efforts to improve farm production practices often get far

less than full hearted support from grower because of inadequate prices incentives in the market. Most of the third world countries have meagre public capital to invest in efforts to increase agricultural output. In some cases, it is probable that this capital would yield much greater returns if allocated to improving market facilities and practices rather than directly improving crop yields.² Thus on these considerations as assessment of marketed surplus across different farm size groups on one hand and an analysis of marketing structure on the other hand is of significance. The present study is an attempt in this direction.

Objectives

The specific objectives of the study are the following :

- i. To estimate the quantum of marketed agricultural surplus among different farm size groups.
- ii. To study the marketing structure of agricultural produce of different farmers.
- iii. To find out reasons for the sale of agricultural produce in the village market.
- iv. To suggest suitable policy measures to improve the marketing structure.

Methodology

The Brahmpur village of Brahmpur block, district Gorakhpur, east Uttar Pradesh was selected for this study on the basis of one single indicator i.e. the percentage of net irrigated area of net area sown. Since this village was found to have the highest percentage of irrigated area, it was assumed that marketed surplus generated across different farm size groups and its marketing structure will be representative of the emerging trends in the marketing of agricultural produce due to agricultural development in a backward region like east Uttar Pradesh. The stratified random sampling technique was used to select households for detail investigation and thus fifty per cent households from each farm size group, forming the total sample of 148 was finally selected for personal interviews. The farmers households were classified into three categories according to their land holding size viz. small upto 2 ha., medium between 2-4 ha., and large 4 ha. and above. The village formed the primary and the farmers households as ultimate unit of study. The quantity of output and marketed surplus of respective crops of each household was multiplied by the price of that particular crop prevailing in the village at the time of investigation, to avoid the problem of summing up of the crops of different types. The reference year is 1981-82.

Findings of the Study

i. Farm Size and Marketed Surplus

The farm size is important determinants of marketed surplus. As is evident from the following table that the major quantum of output (46.11 per cent) is contributed by the large size holdings, the major part (53.08 per cent) of marketed surplus generated is also commanded by this group. But it is extremely interesting to observe that small farmers sold 29.90 per cent of their output in money terms as against their contribution of 24.64 per cent in total marketed surplus which was not significantly lower than their proportionate share of 31.32 per cent in total output. It indicates that despite the lower marketed agricultural produce, the small farmers had to sell under distress to make payments of various outstanding money obligations. If a marketing system has to do justice to them, it should provide them both an outlet for sale and an opportunity for re-purchase without involving their exploitation. A mere transformation of 'distress sale' into market oriented voluntary sale does not by itself mean much in terms of increased economic well-being of sellers i.e. small farmers.³

It is also evident from the table 1 that small and marginal farmers grew mostly foodgrain crops which are needed for the subsistence of these families. On the other hand, the families with large size holdings, produced a significant

Table 1 : Output and Marketed Surplus of Different Farm Sizes

Farm Size Groups	Total Sample House-holds	Output in Value Terms (Rs.)			Marketed Surplus in Value Terms (Rs.)		
		Food-grains	Non-Food-grains	Total	Food-grains	Non-food-grains	Total
1	2	3	4	5	6	7	8
Small	90	252783 (78.56) (32.19)	68986 (21.44) (28.49)	321769 (100.00) (31.32)	68979 (71.71) (26.42)	27219 (28.29) (21.07)	96198 (100.00) (26.64)
Medium	43	178979 (77.16) (22.79)	52976 (22.84) (21.87)	231955 (100.00) (22.57)	60862 (70.00) (23.31)	26084 (30.00) (20.19)	86946 (100.00) (22.28)
Large	15	353482 (74.62) (45.02)	120219 (25.38) (49.64)	473701 (100.00) (46.11)	131275 (63.37) (50.27)	75879 (36.63) (58.74)	207154 (100.00) (53.08)
Total	148	785244 (76.43) (100.00)	242181 (23.57) (100.00)	1027425 (100.00) (100.00)	261116 (68.21) (100.00)	129182 (31.79) (100.00)	390298 (100.00) (100.00)

Note : Figures given in parentheses denote percentages to totals.

proportion of commercial crops also. Consequently, out of the total marketed surplus generated among different farm size groups, the proportion of foodgrains is significantly higher in small size holdings (71.71 per cent) and it goes on decreasing with the increase in land holding size, finally with the proportion of 63.37 per cent of large size holdings.

ii. Marketing Structure

The term marketing structure means all the places where goods are sold and purchased with the involvement of various functionaries during the process.⁴ The structure of marketing and marketing practices are the major determinants of prices of agricultural produce which farmers get. There are different places where farmers sell their produce. The first market place is village itself to sell the agricultural produce. The agencies which are involved in the purchase at village level include village Banias, itinerant merchant, the commission agents of wholesalers, small retailers and local consumers. Among them, village Banias, itinerant merchant and commission agents are major agencies. It is mainly through these agencies that surplus produce of villages passes through wholesalers to consumers. With some what monopolising the village market, they purposely pay the lower prices of farm output apart from indulging in various mal-practices like under weight in buying and over weight in selling. These agencies also keep farmers under various monetary obligations by way of providing loans at usuring

interest rates. With the result, majority of farmers are forced to sell to these agencies at village level at lower prices. The following table also reveals the same fact. 91.89 per cent of the total farmers sold their marketed produce within the village, 36.49 per cent farmers outside the village and only .68 per cent sold to the government agencies. Small farmers mostly sold within the village and only 10 per cent of them went outside village for sale of their marketed surplus. Contrary to this, majority of large farmers went outside the village for the sale of their produce. Quite large number of them even sold within the village. The 6.67 per cent of them sold to government agencies. Thus, it becomes obvious that farmers in general utilised more than one market for the sale of their marketed produce and there exists direct relationship between farm size and number of farmers going outside the village for the sale of their produce.

Table 2 : Number of Farmers Disposing Their Marketed Surplus in Different Markets

Farm size groups	Within the village	Outside the village	Government agencies
1. Small	90 (100.00)	9 (10.00)	0 (-)
2. Medium	35 (81.40)	24 (55.81)	0 (-)
3. Large	11 (73.33)	14 (93.33)	1 (6.67)
Total	136 (91.89)	54 (36.49)	1 (0.68)

Note : Figures given in parentheses denote percentages to totals.

With the aforesaid assumption that village sale of agricultural produce is characterised by the lower prices than prices prevailing in the outside village market and with the subsequent result that majority of total farmers is still selling their produce in the village market, it will be extremely interesting to analyse that what is the quantum of total marketed surplus which is disposed in the village market. It is the possibility that number of farmers accounting for village sale may be maximum but the disposal of their output may be less in proportion to the output marketed in the outside village market and government agencies, thus fetching higher prices on the major part of their marketed output. The total marketed surplus disposed in different market structure viz. within the village, outside the village and Government agencies has been analysed for this purpose in the following table:

Table 3 : Disposal of Marketed Surplus in Different Markets

Farm size groups	(Rs.)			
	Within the village	outside the village	Govt. Agencies	Total
1. Small	88790 (92.30)	7408 (7.70)	-	96198 (100.00)
2. Medium	63697 (73.26)	23249 (26.74)	-	86946 (100.00)
3. Large	87772 (42.37)	103892 (50.15)	15490 (7.48)	207154 (100.00)
Total	240259 (61.56)	134549 (34.47)	15490 (3.97)	390298 (100.00)

Note : Figures given in parentheses denote percentages to totals.

It is evident from the above table that village sale of marketed surplus accounts for 61.56 per cent of the total marketed surplus in value terms whereas the outside village market and government agencies claim 34.47 per cent and 3.97 per cent respectively. The farm size and the quantum of marketed output is directly co-related with outside the village market. The quantum of marketed surplus directly controlled by the government agencies is still very negligible.

iii. Reasons for the Village Sale

When the major proportion of marketed surplus is disposed within the village, farmers will naturally get the lower prices than those of outside village market and prices fixed by the government. Various factors viz. indebtedness of farmers, lack of transport facilities, no information of the prices prevailing in the outside market and small quantity of marketed surplus are responsible for village sale as the following table shows:

Table 4 : Size-wise Farmers Response for Sale of Their Marketed Surplus in the village Market

Farm size groups	Indebtedness	Lack of transport facility	Small quantity of marketed surplus	No knowledge of market prices
Small	78 (86.67)	45 (50.00)	71 (78.80)	50 (55.56)
Medium	22 (51.16)	27 (62.79)	10 (23.26)	20 (46.51)
Large	3 (20.00)	10 (66.67)	-	6 (40.00)
Total	103 (69.60)	82 (55.41)	81 (54.73)	76 (51.35)

Note : Figures given in parentheses denote percentages to totals.

It is evident from the above table that largest number of farmers, forming 69.60 per cent of the total sample indicated indebtedness as one of the reasons for village sale. The high incidence of indebtedness of sample households is clear which is inversely related with the quantum of output marketed by different farm size groups. The poor transportation facilities were the second most important factor responsible for the village sale. About 55.41 per cent of the total farmers pointed out this factor responsible for village sale. The small quantity of marketed surplus was an other factor for the predominance of village sale. Approximately, 54.73 per cent farmers indicated that their marketed surplus was so small that it was not economical to take it outside the village market because cost per unit of marketed surplus tended to become higher. The importance of various factors responsible for village sale differ from one group of cultivators to another. Thus, for small farmers three factors are more important (i) Indebtedness, (ii) Small quantity of marketed surplus, and (iii) No information of outside the village market prices. The poor transportation facility was also significantly responsible factor. For the medium farmers, three factors viz. (i) poor transportation facilities, (ii) indebtedness and (iii) no knowledge of outside the village prices were more important. The large size farmers indicated two important factors (i) poor transportation facilities and (ii) no knowledge of outside the village prices.

Measures Needed to Improve Marketing System

The conclusion drawn in the previous sections of the study calls for an improvement in the marketing structure. The entire system requires the organisation of sale and purchase of agricultural produce in such way that producers i.e. cultivators secure a fair price. It needs discouraging farmers for the village sale of their produce to various intermediaries on one hand and prohibition of unwanted and excess deductions in the Mandies on the other hand. The institutional measures in the form of state interventions in agricultural marketing in the form of market regulations by most of the State governments are encouraging step in this direction. The markets regulated by the State Governments provide various facilities like storage yards, cattle sheds, rest houses, post offices, banks and the development of link roads in the catchment areas of regulated markets. In Uttar Pradesh also, the progress of market regulations has been very commendable and at the State level an apex body namely Rajya Krishi Utpadan Mandi Parishad has been established to regulate the markets. But in view of the various issues involved the following points needs due considerations in any future strategy of improving agricultural marketing system:

- i) Integration of credit market with agricultural marketing system.
- ii) Regulations of primary markets.

- iii) Development of link roads.
- iv) Integration of Storage facilities with regulated markets.
- v) Grading and standardisation of agricultural produce.
- vi) Providing market informations to the farmers regarding the prices of different produce at appropriate time.

In view of the above, aggregate production may increase because of the improvements in competitive performance leading to crop specialisation according to the principles of comparative advantage.⁵

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